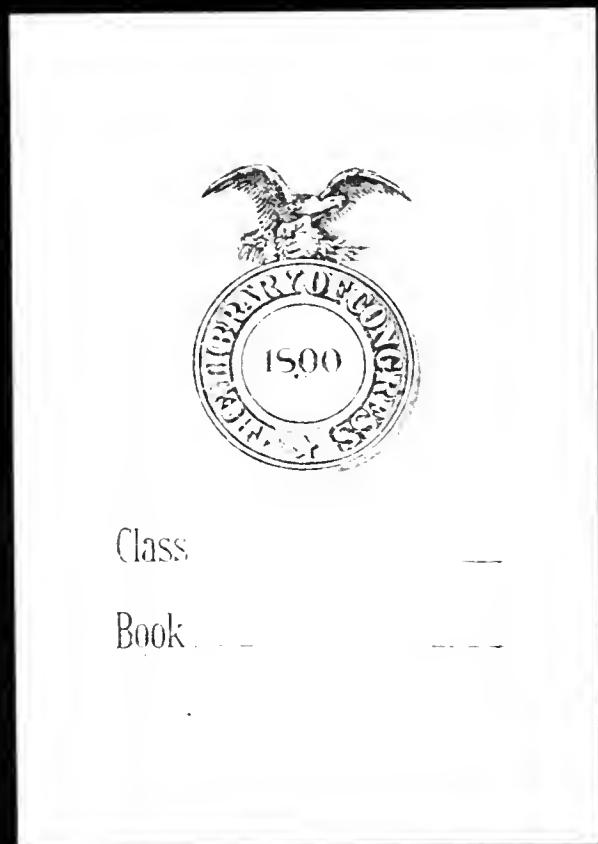


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U. S. DEPARTMENT OF AGRICULTURE,  
OFFICE OF THE SECRETARY.

**ORGANIZATION AND CONDUCT OF A MARKET SERVICE IN THE DEPARTMENT OF AGRICULTURE, DISCUSSED AT A CONFERENCE HELD AT THE DEPARTMENT ON APRIL 29, 1913.**

INTRODUCTION.

The last session of the Sixty-second Congress made an appropriation of \$50,000, of which \$10,000 was to be immediately available, "to enable the Secretary of Agriculture to acquire and to diffuse among the people of the United States useful information on subjects connected with the marketing and distributing of farm products, and for the employment of persons and means necessary in the city of Washington and elsewhere."

Immediately after the passage of the act, preliminary steps were inaugurated to bring together as a nucleus for the organization and subsequent conduct of the work all available facts and experience having any bearing on it. One of these steps was a conference of some of the leading experts and students in this field, which was held in the department April 29, in accordance with a notice sent out by the Assistant Secretary of Agriculture, the object of the meeting being, as stated in the notice, to "secure the views of experts and others in the problem of organizing and conducting a marketing service in the Department of Agriculture."

The meeting was presided over by the Secretary of Agriculture, who spoke briefly of the importance and complexity of the task of carrying out the provisions of the act, the widespread interest in the subject, the meagerness and primitiveness of the knowledge regarding it, and the likelihood of a considerable length of time elapsing before it can be studied adequately and definite conclusions reached. The Secretary thought that the provisions of the act suggested a tentative division of the subject into four groups:

(1) Organized marketing, which will include studying and aiding existing organizations for marketing farm products, the promotion of such markets, and the study of State and national laws affecting organized production.

(2) Marketing news service, the work along this line for the time being to consist mainly of an investigation of the practical methods and cost of conducting such a service, and later, if found feasible, to include the daily collection and distribution of information relating to supply and demand in the leading markets, progress of planting and area planted, and condition of growing crops.

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(3) Methods and cost of distribution, which will include a study of prices paid the producer, changes of ownership between producer and consumer, prices and profits at each stage, and final price paid by consumer.

(4) Transportation problems of specific localities, which will include the delivery of products to local consumers and shipment to distant markets.

At the invitation of the Secretary, Mr. G. Harold Powell, formerly of the department, but for some time general manager of the California Fruit Growers' Exchange, the most extensive cooperative nonprofit rural organization in the country, addressed the meeting on the subject of his experience with organized agricultural industries, with some suggestions regarding work that might be undertaken by the department along this line. The activities of the exchange in question are confined to citrus fruits; nevertheless, its organization and operations involving a considerable number of the principles and problems which would necessarily enter into any rural organization are of general interest, and their explanation in detail follows, substantially as given by Mr. Powell.

#### THE CALIFORNIA CITRUS INDUSTRY, ITS ORGANIZATION AND OPERATION.

The citrus industry of California represents an investment of about \$200,000,000. There are 200,000 acres of oranges, lemons, and grapefruit in the State, and it costs about \$1,000 an acre to bring the groves into bearing. In a normal crop year 45,000 carloads, or 18,000,000 boxes, of fruit are shipped, more than 90 per cent of which is produced in a comparatively small area in southern California. The growers are an unusual class of men, many of them being progressive farmers from the East, lawyers, merchants, doctors, and business men who have moved to the West to engage in horticulture.

Twenty years ago the growers produced about 5,000 carloads of oranges. They sold the fruit, as most farm crops are sold even now, to local buyers or to representatives of distant firms, or it was consigned on commission to markets from 1,500 to 3,000 miles away, the only returns in this latter case frequently being bills for freight and selling charges. The buyers would purchase when there was a chance to make money; at other times the grower would assume the risks of distribution or would have to sell at a sacrifice. Sometimes the local buyers divided the territory and did not compete with each other or they fixed a maximum price to be paid for the fruit. Under either of these systems of suppressed competition the grower became helpless. These were known as the "red-ink" days in the California citrus industry. With 5,000 carloads of fruit to market annually, the growers thought that overproduction stared them in the face and the stability of the industry was questioned, but the real trouble came through bad distribution of the fruit and an inadequate local system of handling it.

Gradually the growers began to believe that by organizing they might make more stable the distribution of their crops and create a larger demand. They had already begun to form local associations, build packing houses, and select managers to handle the business, the object being to bring together the fruit of the individual growers, standardize the grades, and prepare it for sale.

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At first they sold to local buyers or to representatives of distant buyers, but before long they found it necessary to federate their local organizations and to develop a system which would insure a uniform distribution of their fruit, which is a perishable crop and must be sold quickly, to the jobbers in the markets of the United States and Canada. Without this system of wide distribution under the control of the producer and the standardization of the picking and handling of the fruit a chaotic marketing condition existed, and the growers could not protect their property interests. The outcome was that many of the local organizations federated and formed what is now known as the "California Fruit Growers' Exchange." This exchange now includes 17 district exchanges, composed of 115 local associations of from 40 to 200 members each, and acts as a clearing house in providing facilities through which nearly 7,000 growers, or 65 per cent of the industry, distribute and sell their fruit on a cash basis to the jobbers in the markets of the United States, Canada, and the United Kingdom at the actual cost of operation. During the past eight years the growers have sold \$115,000,000 worth of fruit through the exchange and have lost in uncollected bills and in other ways less than \$6,000.

#### THE LOCAL ASSOCIATION : ITS ORGANIZATION AND FUNCTIONS.

The local association is formed generally by from 4 to 200 growers organizing, without capital stock, a nonprofit corporation, which is handled by a manager, who is a salaried officer, through a board of directors, who serve gratis. If formed as a stock corporation, the association usually accumulates no surplus and pays no dividends except the usual rate of interest. Its function is to assemble the fruit of the members in the packing house and there grade, pack, pool, and prepare it for market.

In some cases the grower picks his fruit, but in recent years most of the associations have assumed control of the picking, as well as the grading and packing, so as to standardize its physical handling and in this way insure uniformity, which is a big asset in the sale of any product.

A few years ago the annual decay of orange and lemons in transit often amounted to a million and a half dollars. The cause of the trouble was believed to be due to lack of icing, to sidetracking cars in the desert, and other abuses in the transportation service, but the Department of Agriculture found it was due to improper physical handling in preparing the fruit for shipment. As a result of the department's work and its recommendations, which have been generally adopted, the fruit is now usually picked through the associations by trained gangs of labor under competent foremen, the pickers are paid by the day rather than by the box, and care in handling is made a motive in every operation.

Formerly, when the buyer packed the fruit for the grower it cost him from 60 to 70 cents per box for oranges and \$1 or more per box for lemons. Through the cooperative buying of paper, nails, box shook, and other supplies the associations have cut the cost to an average of 33 cents per box for oranges and 60 cents per box for lemons, these figures including labor, packages and other materials, loading the fruit on cars, and all expenses connected with the maintenance and support of the associations, exclusive of the picking. The fruit is packed under brands which are the property of the local association, thus preserving the individuality of the association and stimulating local pride, but the name of the central exchange and its advertised brands also appear on the package and on the fruit wrapper.

The fruit of similar grades from the different members of the association is mingled and sold in common, the pool extending through a month, more or less.

When a carload is ready for shipment it is marketed by the district exchange, with the advice of the association, through the agents and facilities provided by the California Fruit Growers' Exchange, and the proceeds of the sales are divided among the members of the association pro rata on the number of pounds of each grade shipped in the pool.

#### THE DISTRICT EXCHANGE: ITS ORGANIZATION AND FUNCTIONS.

The district exchanges, of which there are 17, are composed of the local associations, and, like the associations, are nonprofit corporations, operating for them at actual cost, or are pecuniary stock corporations operating on cooperative principles. Each exchange acts as a medium between the associations and the California Fruit Growers' Exchange. It orders cars for the associations and sees that they are placed for loading, keeps records of the cars shipped by its associations, informs itself through the California Fruit Growers' Exchange of every phase of the distributing and marketing business, and places this information before the associations. It also receives from the agents the proceeds from the fruit and turns them over to the associations for pro rata payment to the growers, as above explained, after deducting the actual cost of operation, which usually amounts to 1½ to 2 cents per box.

#### THE CENTRAL EXCHANGE: ITS ORGANIZATION AND FUNCTIONS.

The California Fruit Growers' Exchange is the central body formed by the 17 district exchanges, with a directorate consisting of one representative from each of these exchanges, who serves without pay, and a general manager, who is a salaried officer. Like the associations and the district exchanges, it also is a nonprofit corporation, conducting its business at the actual cost of operation and declaring no dividends. It has no assets except a paid-in capital of \$1,700, office fixtures, and supplies, although it handles from \$16,000,000 to \$20,000,000 worth of fruit annually, or about 65 per cent of the citrus-fruit crop of California, and is able to secure the necessary credit, the bankers of California realizing that the cooperative movement is the foundation stone on which the \$200,000,000 invested in the citrus industry rests. In other words, this is a rural credit system of the soundest type, the federated moral security of 7,000 growers and a history of careful management being its only collateral.

The exchange has a legal department, which looks after any litigation that may arise; a traffic department, which looks after the routing of the cars and handles all shipping claims; an advertising department, through which an extensive advertising campaign is conducted to increase the demand for fruit; a mutual insurance department, which handles the insurance for the different packing houses; and departments which carry out the will of the local associations and district exchanges regarding the distribution, diversion, destination, and sale of each car. It also has a supply company, which is a stock corporation with a capital stock of \$1,000,000, the stockholders being the local associations rather than the individual growers. This company was organized seven years ago because of the fact that the price of box shooks was almost doubled in one year. After the company purchased timberlands and began the manufacture of boxes the box-making interests quickly reduced their prices to former levels. The company operates a manufacturing department and a material supply department. The former leases timberlands, operates mills, and manufactures the box materials used in shipping the fruit, while the latter provides the supplies used in the packing houses and the orchards, these being furnished to the members of the association at cost, including a charge for depreciation

and maintenance, plus 6 per cent on the assets and capital devoted to or invested in the department. The company has developed into a large institution, purchasing and manufacturing several million dollars' worth of supplies.

The central exchange furnishes facilities for the distribution and marketing of the fruit by the district exchanges, and to do this it places bonded agents in the principal markets of the United States and Canada and one in Europe. These men are exclusive salaried agents, except in territories where only a small quantity of fruit is sold, in which places the services of brokers are sometimes used. These agents work constantly to increase the trade, and in the sale of a car act directly under the order of the shipper. When a buyer wants a carload of fruit he takes the matter up with the agent in his city or district; the agent wires the details to the central exchange; this exchange takes it up with the district exchange handling the brand of fruit desired; the district exchange takes it up with the association which owns such brand, ascertains the price it is willing to accept, and communicates the reply to the central exchange; and the latter wires it to the agent, who then negotiates with the buyer. Any further communication necessary until the sale is effected or rejected is carried on in the same way between the agent and the shipper. When a sale is made the agent collects the money in the form of a check, made payable to the California Fruit Growers' Exchange. This check is deposited in a national bank, and at the same time a check is made payable to the shipper of the fruit, covering the full amount. This, with a duplicate deposit slip, showing that the money was deposited, passes through the office of the California Fruit Growers' Exchange to the shipper, and at the end of each month the central exchange levies an assessment against each district exchange for its approximate pro rata share of the cost, based on the number of boxes shipped. The final adjustment is made with each district exchange at the end of each year. In 1911-12 the total cost of operation represented about 3½ per cent on the f. o. b. California returns, or less than 2½ per cent on the gross sales. It costs the American farmer not less than 7 to 20 per cent on gross sales to market his crop.

Under this system the growers and shippers, through their associations and district exchanges, regulate and control their shipments; that is, they determine the conditions under which their fruit shall be sold outside of the auction markets, ship when and in any amount they please, determine to what markets the fruit shall be consigned and where it shall be sold outside of the auction markets, and designate the price they are willing to accept. The central exchange believes it an unwise policy to lodge in a central organization the power to fix prices on fruit owned by the different associations or to control its diversion or destination. Centralization of such power might result in its arbitrary use, and under present conditions it would be questionable whether a central organization exercising such power or which has the right to exercise it is on a legal basis.

Through the agents the central exchange gathers daily information regarding the conditions of the market, secures detailed reports on the sale of every car of exchange fruit and on weather conditions, and sends this information in the form of daily bulletins to the district exchanges. These bulletins also include a catalogue of the details of exchange cars leaving California; all telegrams passing between the shipper and the agent regarding each car; several special reports from auction or private-sale markets; and at the end of each week and month summaries of the different business operations of the system. With this information at hand each shipper can intelligently decide the various marketing problems for himself and thereby avoid chaotic distribution and demoralized sales.

One of the most important functions of the exchange is to increase the consumption of oranges and lemons by advertising. The highest grade of fruit of each association is sold under a copyrighted brand, which is the property of the central exchange, and the second grade also is packed under an advertised brand, which supplements the brands of the local associations. By controlling the use of the advertised brands the exchange is in a position to make rules and regulations governing the grading and packing of the fruit sold under them.

#### INFLUENCE OF ORGANIZED DISTRIBUTION ON RETAIL PRICES.

Since the distribution of California citrus fruits has been organized the retail prices have been much more stable, and, considering the quality, they have been much lower. The reasons for these changes, as given by Mr. Powell, are, first, the fruit is distributed by the producers to the jobbers on a merchandising basis rather than by brokers or buyers who secure the fruit at the point of production, and, second, the distribution is systematized; consequently, the supply in the different markets is regular, and the jobbers, being able to secure regular supplies, sell the fruit quickly at a small margin, making a small profit on a large number of sales rather than a larger profit on a small number.

When a perishable product is grown 1,500 miles from the center of distribution and is distributed on a speculative basis, the jobbing trade can ever be sure of regular supplies and consequently the jobbers and brokers charge a higher price to cover the risks; but when the producer eliminates speculation and the distribution is regular, the product becomes a staple merchandising article, and the jobber, the retailer, and the vendor turn it over quickly at a small profit. When a crop is systematically distributed the consumer may share in the benefit of a cooperative organization, but where the product of such an organization is sold to buyers at the place of production, or where the producers send the crop on commission or handle it in small units through brokers, the consumer does not share in the benefit which results from organized distribution and may pay more than formerly. The only advantage of cooperative organization in this case are the lower cost of preparing the product for market and the ability to sell in large quantities.

#### INFLUENCE OF ORGANIZATION ON RURAL LIFE.

Aside from the purely business nature of the California fruit growers' organizations, Mr. Powell regards them as the strongest factors in the upbuilding of rural life in the citrus districts of California. They exert a force in a rural community which an unorganized industry can not possess. The people, he says, learn the value of cooperative activity, and this extends to every phase of country life. A business organization under the control of the producers

is the strongest factor that can be brought into any agricultural community. Such organizations may purchase supplies, spray or fumigate orchards or protect them against frost injury, and work together to develop everything that betters the communities in which they exist. The citrus fruit growers' organizations have been a strong influence in the development of better schools, in the building of county and State roads, and in securing State appropriations for investigational and educational purposes.

#### MANAGEMENT OF RURAL ORGANIZATIONS.

One of the most difficult problems in cooperative organization, according to Mr. Powell, seems to be that of securing men with adequate experience in directing the associations. Those who have had the best records in California are men of executive and organizing ability who have a thorough understanding of the fruit growers and of the industry. The manager who is to succeed must possess business ability of a high order, sterling integrity, and tact and judgment in dealing with a large number of men; must hold the confidence of the directors and the interest of the members of the organization; must take the initiative in developing a progressive policy, and shape it into a working policy only after the directors and members understand and approve it. Many farmers' organizations will not employ competent managers; others employ dictatorial managers and turn the affairs over to them to handle. The result usually in either case is failure.

#### CONSTRUCTIVE SUGGESTIONS FOR DEPARTMENTAL WORK IN THE ORGANIZATION AND CONDUCT OF A MARKET SERVICE.

In response to the Secretary's request for an expression of his opinion on the subject in question Mr. Powell suggested that the Government should not provide a crutch for the farmer to lean on when he can walk without it. In other words, the farmer should stand without support and work out his own salvation wherever he can do so alone. A movement on the part of the Government to actually help the farmer market his crops is an unwise policy except as it is an incidental part of a larger movement to help build up and organize the forces of rural life, and even in that case the Government should be connected only with general fundamental principles which will help the farmer help himself.

Any work the department may undertake in connection with the establishment of a market service should, in the opinion of Mr. Powell, be fundamental in helping in the organization of rural life. It should be done cautiously and slowly. The department's work in this field must grow as the result of experience, just as cooperative organization grows, for as soon as the department begins to collect

information that will influence distributing and marketing practices it will undoubtedly meet the antagonism of many of the agencies already in the field, because if designed to encourage the business organization of farmers it will tend to eliminate the unnecessary cost of distribution and to simplify the methods of placing the farmers' products before the American consumer and consequently will abolish these agencies. There are but few experts in crop distribution and marketing in this country, and they can not be created suddenly by legislation; and unless the department can obtain trained men who have a practical knowledge of the matter in hand it can become involved in controversies which could easily endanger the usefulness of the services it may perform.

#### NECESSITY OF EDUCATIONAL WORK ON RURAL ORGANIZATION.

There has been much general discussion of the advantage of farmers organizing for the improvement of crops, for animal breeding, and for the preparation, distribution, and sale of farm products; but very few, even among the farmers themselves, understand the principles on which rural business activities may be successfully organized. Mr. Powell thinks these principles should be defined and that their definition and the education of the farmers in regard to them would be distinct advantages and might properly and very effectively be undertaken by the department. One of the first steps in this direction would be to assist the farmers in organizing their industries along lines that are sound from the social, economic, and agricultural point of view by setting forth the correct principles of organization. It might also make a careful study of existing organizations with a view to setting forth the principles governing the voting of members, payment of dividends, limitation of membership, and other questions essential to a successful farmers' business organization.

#### FARMERS' ORGANIZATIONS: WHAT THEY ARE AND WHAT THEY SHOULD BE.

Mr. Powell further stated that most of the so-called farmers' organizations in this country are in reality not cooperative, but simply stock corporations, the word "cooperative" being indiscriminately applied to almost every association of farmers. They have been organized in this form because the laws of the States generally do not provide for the incorporation of nonprofit agricultural organizations. There are still other organizations which endeavor to operate on co-operative principles and which are hybrids between stock corporations and cooperative associations. In these, a reasonable dividend may be paid on the capital stock and the balance of the surplus earnings distributed pro rata on the volume of business transacted.

A cooperative organization is usually formed without capital stock. It may, however, be a capital-stock corporation, provided the law under which it is incorporated gives the corporation the right to regulate the membership and the method of distributing the profits and proceeds. The cooperative organization operates at actual cost, without pecuniary profit, for the benefit of the members. It is an industrial democracy in which each member has one vote or a voting power in proportion to the amount of business transacted by the individual member, after operating expenses, allowance for depreciation of property, a surplus, and the usual rate of interest on the capital invested have been deducted. The stock corporation, as is, of course, generally known, differs fundamentally in principle. It is founded on capital and is operated for the purpose of paying dividends. This is not the form under which to incorporate a farmers' business organization. In a stock corporation the membership is not under control. The farmer who owns stock in such a corporation has the legal right to sell it to whom he pleases, and through the sale of the stock the control of the organization may be transferred from the producer to competing or unfriendly interests. Mr. Powell suggests that a farmers' organization should be composed exclusively of farmers. The right to membership should depend upon the transaction of business through the organization, and when a member ceases to conduct his business through the organization his membership should be terminated. Under the usual stock-corporation laws these restrictions are not enforceable. A stockholder may sell his farm and still continue his membership, even though he should become identified with a competing organization.

If the department would determine the most desirable legal principles to enact by making a careful investigation of the State and Federal laws that provide for the incorporation of nonprofit corporations, the federation of nonprofit corporations into central nonprofit federations or of stock corporations or federations in which the corporation has the power to regulate the transfer of stock, the limitation of stock ownership, and the distribution of surplus earnings, Mr. Powell believes that the results would serve as a guide to the States and to Congress in the preparation of legislation that must precede a general organization of farmers' cooperative associations.

#### CONDITIONS NECESSARY TO SUCCESSFUL ORGANIZATION.

It was further suggested that the department could also set forth the conditions under which an agricultural community can be successfully organized. There is a widespread idea that the organization of farmers is a thing to be generally desired. Many associations have been formed on altruism and high motives by impractical enthu-

sists, but these ideals alone do not make sound business organizations. The South, the West, and the Central West are filled with the wrecks of organizations which were formed with high enthusiasm, but which fell by the wayside in the first real encounter with the distributing and selling agencies already in the field. It was urged by Mr. Powell that if an organization is to have the virility to live in the face of the competition to which it will be subjected it must be born of economic necessity, and that necessity must exist before it is formed; in other words, unless the investment of the producers is endangered by social and economic conditions and they are obliged to unite to protect their interests the average farmers' organization can not exist, because the members will not stay united in the face of the competition it will encounter and the innumerable methods used by unfriendly interests to separate them from the association.

Under present industrial conditions it is not possible to organize farmers in every community, and any movement having in view a widespread organization of the farmers of this country is, in Mr. Powell's opinion, doomed to failure. His experience indicates that a community which grows general farm crops and is fairly prosperous can not be organized and the organization successfully held together; and that no community except one founded on a special industry, such as fruit, dairy products, cotton, eggs, poultry, etc., can be organized for business purposes. Another fundamental is that the organization must be located in a restricted area so that the members may be personally acquainted, and when an organization is formed it must be founded and operated on cooperative principles.

#### A STUDY OF DISTRIBUTION AND MARKETING AGENCIES.

Mr. Powell suggested that the department could make to advantage a preliminary investigation of the cost of the present system of farm-crop distribution and marketing, in order to determine what proportion of the price paid by the consumer is chargeable to production, to the preparation of the product for transportation, to distribution, and to sale. A study of the different costs and profits which enter into the distribution of a crop from the farm to the consumer would show some of the wastes and extravagances of the present system of distribution and marketing, and the department could do much to call these things to the attention of the producer, the distributing agencies, and the consumer, and in the end lead to the correction of some of the abuses by those directly interested in the problems, as well as to the necessary corrective legislation.

Sometimes the producer deals directly with the consumer, but in most cases a number of agencies intervene; that is, brokers, jobbers, distributing and marketing corporations, local agents or buyers,

soliciting agents, commission merchants, auction companies, and various types of retail merchants, such as venders, fruit stands, market places, and retail stores. No hard and fast lines separate one agency from the other and their functions, which frequently overlap or may be identical, are not legally defined, and the system is complex and bewildering to the average man. The functions and the status of these different distributing and marketing bodies which act as agents for the producer, according to Mr. Powell, should be legally defined, so that their operations may be subject to inspection and the State may be able to protect the producer against dishonest or discriminating practices. A careful investigation by the department of these agencies, their functions, and where they act as selling agents, their financial interest in producing and distributing concerns, and the trade rebates and other discriminating practices which have crept into the distributing system would, in the opinion of Mr. Powell, do much to lay the foundation for corrective measures and would probably lead to the enactment of uniform legislation by the States and by the Federal Government which would correct abuses and simplify the problem of eliminating some of the wastes and extravagances of the present distributing system.

#### INVESTIGATION OF THE METHODS OF PREPARING FARM CROPS FOR MARKET.

The present investigations of the department into the methods of handling, transporting, and storing perishable products should be extended to all farm crops and include a more general study of harvesting, grading, packing, and preparation for market. Much of the trouble complained of by the producer in his dealings with the distributing agencies is the result of his own carelessness in handling his products and ignorance of the requirements of the market. Mr. Powell knows no phase of the problem of marketing farm crops that is in greater need of improvement than the grading and packing as practiced by the average producer. Few farmers know how to standardize the grading or packing of fruits or vegetables, or how to prevent losses from decay as a result of improper handling. The work of the department should be educational in character, through demonstrations of handling, grading, and packing, and in other ways. It could help to establish standards for grading and packing, and these standards could be adopted by farmers' associations and by individual farmers. The work of the department along these lines would help in establishing the facts and principles on which to base the laws of the States and of the Federal Government that aim to prevent abuses in the grading, packing, and labeling of crops when offered for shipment or sale.

## SUMMARY OF WORK WHICH THE DEPARTMENT MIGHT UNDERTAKE TO ADVANTAGE IN CONNECTION WITH THE ESTABLISHMENT OF A MARKET SERVICE.

In summarizing his suggestions for departmental work Mr. Powell divided them into five groups, as follows:

(1) Determine the principles on which farmers' business organizations can be successfully founded and operated.

(2) Work out the principles of law which should be incorporated in State and Federal legislation and which would permit the proper organization and conduct of farmers' associations.

(3) Study the distribution of farm crops as practiced by farmers' organizations and other agencies in order to determine the weaknesses, the wastes in distribution, the abuses and extravagances of the distributing system, and illegal practices, if such exist, and as a result set forth the principles of State and Federal legislation which would define the functions of the various distributing agencies, correct such abuses as legislation can reach, define and set forth the principles of cooperative organization, and assist the farmers in the formation of their organizations.

(4) Help the farmers after they are organized to develop a system by which they can secure for themselves better information regarding crop conditions, the movement of crops, the supply in different markets, and the daily prices, this information to supplement the general data which the department may furnish the public.

(5) Investigate the methods of handling, grading, packing, and preparing farm crops for market, to bring about a greater uniformity and to correct the abuses which now cause a large proportion of the trouble in the dealings of the producer with the distributing agencies.

## COOPERATION AND ITS PRIMARY OBJECT.

Dr. T. N. Carver, professor of economics at Harvard University, recently appointed Director of the Rural Organization Service of the department, when called by the Secretary, expressed the belief that the department should be interested more in the small farmer, who needs help or who needs to be shown how to help himself, than in the well-to-do capitalistic farmer. Cooperation, he said, seems to be the keynote to the situation, but cooperation does not necessarily mean business organization. In some communities cooperation without definite business organization may be the best to begin with. Organization for the sake of organizing does not seem to succeed, but where there is a specific purpose, such as the desire to market products economically and profitably or to get cheaper credit where it is needed, there is a sound basis for organization.

The general problem of organization of the social life of rural communities, said Dr. Carver, is the larger part of the program. Experience in this country and in other countries where cooperation is carried on shows that it has greatly enriched country social life and made it worth while from the standpoint of living. All the light that can be obtained should be utilized not only to increase the farmer's income through better marketing and credit facilities, but also to give life in the country a new charm for the people who live there. It is no reflection on the intelligence of the American farmer that he has not solved these problems for himself. He has had no time for experiment. He has had enough to do to plant his crops and then to garner them. He has had but scant time to organize with his coworkers to market his crops to best advantage. The farmer has learned to cooperate better with nature than with man, and he has not learned how to cooperate along financial and social lines.

The department can develop the best medium between the farmer and the financier, from whom he wants credit, and study localities for the best means and manner of transportation. It can study farmers' organizations and the rural educational systems in an effort to better them.

Then there is the problem of making country life so attractive that the young men will be satisfied to remain on the farm. The promotion of social centers, the modernizing of farm homes, the installation of appliances that go to make city life easier, may help solve this problem, which is quite as important as the betterment of the system of rural credit and the establishment of farm banks. All of these are results expected from cooperation, whose primary object is the improvement of the financial, social, and religious conditions in rural districts.

#### THE PARCEL POST AND RURAL MARKETING.

At the request of the Secretary the Hon. D. J. Lewis, Representative in Congress from the sixth Maryland district, who prepared the House parcel-post bill, addressed the meeting on the subject of the parcel post with reference to rural marketing. He quoted figures to show that the farmer receives approximately only one-fourth to two-thirds what is paid for his products by the consumer, and expressed the belief that the parcel post, when its present prohibitive restrictions as to weight limit and abnormal pound rate are removed, will be the means of doing away with three distinct phases of transportation and as many or more costly processes of commerce—in other words, will eliminate the middleman from the handling of foodstuffs

grown in retail form on the farm, and establish direct transportation, at almost inconsiderable cost, between the farmer and the consumer.

Mr. Lewis said in part:

Under the present system farm products, such as eggs, butter, hams, sausage, chickens, etc., go from the farm to the selling agent, who converts them into wholesale quantities for the wholesale market, the wholesale market passes them on in wholesale units to the retail market, and the retail market reconverts them into retail quantities and passes them to the consumer at prices about double that paid to the grower by the first purchaser. The consumer, or fourth buyer, can become the first buyer when the farmer brings his supplies to town and sells direct from the street; but this method of distribution, even when possible, entails so much waste of effort and loss of time to the farmer that the price to the consumer is little, if any, better than the cumulative commercial price.

What is needed is a transportation conduit which will receive small shipments at the farm and convey them, like a letter, to the consumer. Under such a system the consumer could telephone or write the farmer and have his supplies furnished not only direct, but also fresh. The first order would grow into a standing order in cases where the articles, the prices, payment, etc., proved satisfactory, and thus permanent supply relations would develop, and the consumer would soon have his regular farmer or trucker as he now has his regular physician. There is at present no such transportation conduit as the one in question, and it can not be supplied by the railroad or the express companies, because they do not articulate with the farm. Express rates are prohibitive, the railway has no collect and delivery service, and the railroad's 100-pound weight and 25 cents charge minimum are also prohibitive.

The parcel post, for which the people are now paying and which includes the necessary facilities, is the natural agency for carrying retail shipments from the farm, and the only reasons why it is not discharging this function are, first, the maximum weight limit of 11 pounds is so low as to prohibit the moving of a normal shipment—in other words, a market basket worth while; and, second, the pound rates, except on the first pound, are prohibitively high and many times as high as the cost of the service. Even on the local and rural routes the pound rates are twice as high as the cost of the service, but on the rail zones the pound rates, excepting the charge on the first pound, are—

On the 50-mile zone, six times the cost of the service.

On the 150-mile zone, four times the cost of the service.

On the 300-mile zone, three and a half times the cost of the service.

On the 600-mile zone, two times the cost of the service.

As a matter of fact, the rates only correspond with the cost of service at 2,900 miles, where the rate is 12 cents a pound, which is, of course, a prohibitive rate and distance.

In framing the bill creating the parcel post, Congress clearly saw that the task of adjusting the features and processes of the service—that is, the weight limit, the classification, the zones, and other conditions—to the various requirements of commerce could not well be encompassed by legislative regulation, so it charged the responsibility in this respect to the administration of the Post Office Department. The act provides that if the Postmaster General "find on experience that the classification of articles mailable, as well as the rate limit, the rates of postage, zone or zones, and other conditions of mailability or any of them are such as to prevent the shipment of articles desired, or to permanently render the cost of the service greater than the revenue, he is hereby authorized, subject to the consent of the Interstate Commerce Commission, to reform from

time to time such classification, weight limit, rates, zone or zones, or conditions (of mailability), or either, in order to promote the service to the public or to insure the receipt of revenue adequate to pay the cost thereof." This act gives the Postmaster General plenary power to meet the responsibility of adjusting the parcel post to the requirements of commerce. Transportation facilities for direct dealing between the producer and consumer would be provided with a zone system of 100 miles to the zone, and at a rate of half a cent per pound for each zone traversed, adding three cents arbitrary for the first pound. The result of such an adjustment would be the marketing of farm products direct to the consumer at half a cent per pound plus the initial charge of 3 cents for the first pound in the first zone, embracing an area of 20,106,240 acres; 1 cent per pound in the second zone, with an additional area of 60,318,720 acres; and 1½ cents per pound in the third zone, with an additional area of 100,531,200 acres. In addition, this system would lead to the development of suburban gardening as a new industry, the articulation of railways with the farm, and the cutting of express rates in half.

Summing up the application of his remarks to the market service, Mr. Lewis suggested that the department undertake an investigation of the extent to which a fully developed parcel post might lend itself to the great project of marketing farm products and study in detail the subject of packing at the farm for such transportation.

Approved:

B. T. GALLOWAY,

*Assistant Secretary.*

WASHINGTON, D. C., July 8, 1913.





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